



**Legislators' Retirement System
Actuarial Valuation
as of
June 30, 2008**

**Establishing Required Contributions
for the Fiscal Year
July 1, 2009 through June 30, 2010**

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Actuarial Certification

April 21, 2009 To the best of our knowledge, this report is complete and accurate and contains sufficient information to fully and fairly disclose the actuarial funded condition of the Legislators' Retirement System. Based on the employee data provided by the CalPERS Judges', Legislators' and Volunteer Firefighters' Office, the statement of assets provided by the CalPERS Fiscal Services Division, and the benefits as outlined in Appendix B, it is our opinion that the valuation has been performed in accordance with generally accepted actuarial principles and that the assumptions and methods are reasonable for the System.



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Highlights & Executive Summary

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Highlights & Executive Summary

Purpose of the Report

This actuarial valuation of the Legislators' Retirement System was performed by the CalPERS Actuarial Office using data as of June 30, 2008 in order to:

- establish the actuarially required contributions of the System for the fiscal year July 1, 2009 through June 30, 2010;
- disclose the funded status of the System;
- set forth the actuarial assets and funding liabilities of this plan as of June 30, 2008;
- measure the financial security of the System;
- provide actuarial information as of June 30, 2008 to the CalPERS Board of Administration and other interested parties.

Use of this report for other purposes may be inappropriate.

In preparing this actuarial valuation, the CalPERS Actuarial Office relies upon information provided by CalPERS' Fiscal Services Division and the CalPERS Judges', Legislators' and Volunteer Firefighters' Office. Asset figures provided in this report includes accounts receivable. The CalPERS Actuarial Office assumes that all assets are accruing interest at the actuarially assumed rate.

In accordance with the Political Reform Act of 1990 (Proposition 140), Senators and Members of the Assembly first elected after November 7, 1990 participate in the Federal Social Security program and in no other retirement system. Therefore, the only members currently able to enter the system are Constitutional Officers and Legislative Statutory Officers.

Actuarially Required Employer Contributions

The actuarially required employer contributions for the fiscal year July 1, 2009 through June 30, 2010 is \$0.

The Legislators' Retirement System is superfunded for fiscal year June 30, 2009 to June 30, 2010. By definition, "superfunded" is when the plan's actuarial value of assets exceeds the present value of future benefits for current members.

**Changes Since
Prior Valuation**

Actuarial Methods – No changes were made since the prior valuation.

Actuarial Assumptions and Data – No changes were made since the prior valuation.

Plan Provisions - No changes were made since the prior valuation.

Subsequent Events - A court case regarding alleged past due payments totaling approximately \$8 million is pending. Regardless of the outcome, the LRS plan is expected to continue to be superfunded. However, such a payment would impact the plan by significantly reducing the length of time that the fund would be superfunded which would lead to requiring contributions again.

Three-Year History of Liabilities and Assets Shown below is a three year history of the Present Value of Benefits and Actuarial Value of Assets.

<u>Valuation Date</u>	<u>Present Value of Benefits</u>	<u>Actuarial Value of Assets</u>
June 30, 2008	\$107,132,419	\$142,350,628
June 30, 2007	\$105,930,911	\$141,603,105
June 30, 2006	\$105,988,012	\$139,986,652

Comparison of Current and Prior Year Results Shown below is the comparison of key valuation results for the current valuation date to the corresponding values from the prior valuation date.

	<u>June 30, 2007</u>	<u>June 30, 2008</u>
Members Included in the Valuation		
Active Members	14	14
Vested Inactive Members	34	30
Receiving Benefits	<u>280</u>	<u>274</u>
Total	328	318
Covered Payroll Prior Fiscal Year	\$ 2,105,830	\$ 2,216,469
Projected Covered Annual Payroll	\$ 2,050,217	\$ 2,100,545
Average Annual Pay	\$ 150,416	\$ 158,319
Present Value of Benefits at Valuation Date		
Active and Vested Inactive Members	\$ 19,483,631	\$ 20,382,603
Receiving Benefits	<u>86,447,280</u>	<u>86,749,816</u>
Total	\$ 105,930,911	\$ 107,132,419
Market Value of Assets	\$ 142,209,494	\$ 134,140,160
Actuarial Value of Assets	\$ 141,603,105	\$ 142,350,628
Contributions in Dollars	\$ 0	\$ 0

Supporting Exhibits

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Summary of Liabilities & Required Contributions

Employer Contributions Shown below is the development of the required employer contributions for 2009-2010.

Development of Actuarially Required Employer Contributions

1. Present Value of Benefits as of the Valuation Date		
a. Active Members	\$	11,367,793
b. Vested Inactive Members		9,014,810
c. Receiving Benefits		<u>86,749,816</u>
d. Total	\$	107,132,419
2. Actuarial Value of Assets as of the Valuation Date	\$	142,350,628
3. Present Value of Total Required Contributions [(1) – (2), but not less than zero]	\$	0
4. Amortization Factor *		13.27767
5. Total Required Contributions for Fiscal Year 2009-2010 $[(1+i) \times (3) / (4)]^{**}$	\$	0
6. Expected Employee Contributions for Fiscal Year 2009-2010	\$	0
7. Required Employer Contributions for Fiscal Year 2009-2010 [(5) – (6)]	\$	0

* The amortization factor is the present value of a \$1 payment, per year, for 30 years. Since the plan has assets in excess of the present value of benefits, the resulting required employer contribution will be zero regardless of the amortization factor used.

** i is the investment return assumption.

Summary of Assets

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Summary of Assets

Asset Allocation The table below illustrates the asset allocation and market value of assets by asset type.

**Asset Allocation
As of June 30, 2008
(Dollars in Thousands)**

Investments at Market Value		
General Cash	\$	769
Short Term Investments		6
Equity Securities		
Domestic		38,317
International		12,914
U.S. Government Debt Securities		<u>82,792</u>
Subtotal	\$	134,023
Accounts Receivable	\$	31
Accounts Payable	\$	(689)
Market Value of Funds	\$	134,140

**Reconciliation
of Assets**

The table below illustrates a reconciliation of the market value of assets between year ending 2007 and 2008.

**Reconciliation of Assets (Market Value)
As of June 30, 2008**

	<u>Market Value</u>
Beginning Balance as of June 30, 2007	\$ 142,209,493
Contributions	
Member Contributions	14,318
Employer Contributions	0
Disbursements and Refunds	(7,930,130)
Administrative Expenses	(377,078)
Other Expenses or Credits	0
Investment Earnings	223,557
Ending Balance as of June 30, 2008	\$ 134,140,160

Actuarial Value of Assets The table below illustrates the calculation of the actuarial value of assets.

Development of the Actuarial Value of Assets

June 30, 2008

1.	Actuarial Value of Assets as of June 30, 2007	141,603,105
2.	Contributions Received	
	Member Contributions	14,318
	State Contributions	<u>0</u>
	Total Additions	14,318
3.	Deductions	
	Benefit Payments and Refunds	(7,930,130)
	Administrative Expenses	(377,078)
	Other	<u>0</u>
	Total Deductions	(8,307,208)
4.	Total Additions Minus Total Deductions	(8,292,890)
5.	Expected Investment Return	9,626,875
	$[(1) \times .0700 + (4) \times (1.0700^{1/2} - 1)]$	
6.	Expected Actuarial Value of Assets as of June 30, 2008	142,937,090
	$[(1) + (4) + (5)]$	
7.	Market Value of Assets as of June 30, 2008	134,140,160
8.	One-Fifteenth of the Difference Between Market Value of Assets and Expected Actuarial Value of Assets	(586,462)
	$[(7) - (6)] \times 1/15$	
9.	Preliminary Actuarial Value of Assets	142,350,628
	$[(6) + (8)]$	
10.	Ratio of Preliminary Actuarial Value of Assets over Market Value of Assets $[(9) / (7)]$	106.12%
11.	Final Actuarial Value of Assets as of June 30, 2008	142,350,628

Summary of Member Data

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Summary of Member Data

Reconciliation of Members The table below illustrates the change in members from June 30, 2007 to June 30, 2008.

Reconciliation of Members For the Fiscal Year Ending June 30, 2008

	Actives	Inactive	Retirees and Beneficiaries	Total
As of June 30, 2007	14	34	280	328
1. New Entrants	0	1	3	4
2. Rehires	0	0	0	0
3. Refunds	0	(3)	0	(3)
4. Retirements	0	(2)	2	0
5. Disabilities	0	0	0	0
6. Vested Terminations	0	0	0	0
7. Community Property Splits	0	0	0	0
8. Death with Beneficiary	0	0	(1)	(1)
9. Death without Beneficiary	0	0	(10)	(10)
As of June 30, 2008	14	30	274	318

**Distribution of
Active
Members**

The table below illustrates a distribution of active member counts based on age and service.

Counts of members included in the valuation are counts of the records processed by the valuation. Multiple records may exist for those who have service in more than one valuation group. This does not result in double counting of liabilities.

**Distribution of Active Members
Attained Age and Years of Service
As of June 30, 2008**

Attained Age	--Years of Service at Valuation Date--							Total	Valuation Salary
	0-4	5-9	10-14	15-19	20-24	25-29	30+		
15-19	0	0	0	0	0	0	0	0	\$0
20-24	0	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	0	0	0
30-34	0	0	0	0	0	0	0	0	0
35-39	0	0	0	0	0	0	0	0	0
40-44	0	0	0	0	0	0	0	0	0
45-49	0	1	0	0	0	0	0	1	169,743
50-54	4	0	1	1	0	0	0	6	950,253
55-59	1	0	0	0	0	2	0	3	431,246
60-64	0	0	1	0	1	0	0	2	364,718
65+	0	0	0	0	1	1	0	2	300,509
Total	5	1	2	1	2	3	0	14	2,216,469

Distribution of Average Annual Salaries The table below illustrates a distribution of active member salaries based on age and service.

**Distribution of Average Annual Salaries by Age and Service
As of June 30, 2008**

Attained Age	-- Years of Service at Valuation Date--							Average Salary
	0-4	5-9	10-14	15-19	20-24	25-29	30+	
15-19	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
20-24	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	0	0
30-34	0	0	0	0	0	0	0	0
35-39	0	0	0	0	0	0	0	0
40-44	0	0	0	0	0	0	0	0
45-49	0	169,743	0	0	0	0	0	169,743
50-54	161,786	0	136,152	166,956	0	0	0	158,376
55-59	159,134	0	0	0	0	136,056	0	143,749
60-64	0	0	205,584	0	159,134	0	0	182,359
65+	0	0	0	0	116,208	184,301	0	150,255
All Ages	161,256	169,743	170,868	166,956	137,671	152,138	0	158,319

**Distribution of
Vested
Terminated
Members**

The table below illustrates a distribution of inactive member counts based on age and service

Counts of members included in the valuation are counts of the records processed by the valuation. Multiple records may exist for those who have service in more than one valuation group. This does not result in double counting of liabilities.

**Distribution of Vested Inactive
Members by Age and Service
As of June 30, 2008**

Attained Age	--Years of Service at Valuation Date--							Total	Average Salary
	0-4	5-9	10-14	15-19	20-24	25-29	30+		
15-19	0	0	0	0	0	0	0	0	0
20-24	0	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	0	0	0
30-34	0	0	0	0	0	0	0	0	0
35-39	0	0	0	0	0	0	0	0	0
40-44	0	0	0	0	0	0	0	0	0
45-49	0	1	1	1	0	0	0	3	100,456
50-54	0	1	0	1	0	1	0	3	74,864
55-59	0	2	2	2	1	1	1	9	89,757
60-64	0	0	1	1	0	5	1	8	66,059
65+	0	0	0	0	1	0	6	7	45,125
Total	0	4	4	5	2	7	8	30	72,604

**Summary of
Retirees &
Beneficiaries**

The table below illustrates a summary of Retiree and Beneficiary counts and benefits by year of retirement.

**Summary of Retirees and Beneficiaries
Number Counts and Benefits
By Year of Retirement
As of June 30, 2008**

Year Retired	Total Retirees	Total Benefits	Average Benefits
2008	0	\$0	\$0
2007	2	70,701	35,351
2006	5	294,069	58,814
2005	4	48,233	12,058
2004	6	341,183	56,864
2003	3	33,023	11,008
2002	9	462,942	51,438
2001	3	90,770	30,257
2000	7	450,949	64,421
1999	4	150,082	37,521
1998	11	197,923	17,993
1997	5	146,884	29,377
1996	21	897,350	42,731
1995	4	199,207	49,802
1994	12	351,354	29,280
1993	3	72,533	24,178
1992	15	445,785	29,719
1991	8	393,332	49,167
1990	6	172,542	28,757
1989	7	103,520	14,789
1988	3	73,513	24,504
1987	7	326,672	46,667
1986	7	175,683	25,098
1985	4	54,028	13,507
1984	12	174,913	14,576
1983	1	19,892	19,892
1982	13	205,487	15,807
1981	5	73,499	14,700
1980	14	235,220	16,801
1979	18	98,532	5,474
1978	2	62,498	31,249
1977	4	101,486	25,372
1976	10	271,320	27,132
1975	8	192,579	24,072
1974 & Earlier	31	745,581	24,051
Totals	274	7,733,285	28,224

Distribution of Retirees & Beneficiaries

The table below illustrates a distribution of Retiree and Beneficiary counts by age and retirement type.

**Distribution of Retirees and Beneficiaries
By Age and Retirement Type (counts only)
As of June 30, 2008**

Type of Retirement Benefit

Retiree Age	Service Retiree	Disability Retiree		Death In Service		Death After Service Retirement	Total
		Non-industrial	Industrial	Non-industrial	Industrial		
Under 30	6	0	0	0	0	0	6
30-34	0	0	0	0	0	0	0
35-39	0	0	0	0	0	0	0
40-44	1	0	0	0	0	0	1
45-49	7	0	0	0	0	0	7
50-54	8	0	0	0	0	0	8
55-59	19	0	0	0	0	0	19
60-64	21	0	0	0	0	0	21
65-69	35	0	0	0	0	0	35
70-74	31	1	0	0	0	0	32
75-79	37	1	0	0	0	0	38
80-84	48	0	0	0	0	0	48
85 and Over	57	2	0	0	0	0	59
Total	270	4	0	0	0	0	274

Distribution of Retirees & Beneficiaries The table below illustrates a distribution of Retiree and Beneficiary benefit amounts by age and retirement type.

**Distribution of Retirees and Beneficiaries
By Age and Retirement Type
As of June 30, 2008**

Type of Retirement Benefit							
Retiree Age	Service Retiree	Disability Retiree		Death In Service		Death After Service Retirement	Total
		Non-industrial	Industrial	Non-industrial	Industrial		
Under 30	\$9,075	\$0	\$0	\$0	\$0	\$0	\$9,075
30-34	0	0	0	0	0	0	0
35-39	0	0	0	0	0	0	0
40-44	15,380	0	0	0	0	0	15,380
45-49	91,714	0	0	0	0	0	91,714
50-54	140,417	0	0	0	0	0	140,417
55-59	568,478	0	0	0	0	0	568,478
60-64	556,544	0	0	0	0	0	556,544
65-69	892,649	0	0	0	0	0	892,649
70-74	849,393	44,061	0	0	0	0	893,454
75-79	1,180,836	11,544	0	0	0	0	1,192,380
80-84	1,788,507	0	0	0	0	0	1,788,507
85 and Over	1,460,123	124,564	0	0	0	0	1,584,687
Total Benefits	\$7,553,116	\$180,169	0	0	0	0	\$7,733,285

Distribution of Retirees & Beneficiaries The table below illustrates a distribution of retiree and beneficiary counts by years retired and retirement type.

**Distribution of Retirees and Beneficiaries
By Years Retired and Retirement Type (counts only)
As of June 30, 2008**

Type of Retirement Benefit

Years Retired	Service Retiree	Disability Retiree		Death In Service		Death After Service Retirement	Total
		Non-industrial	Industrial	Non-industrial	Industrial		
Under 5	11	0	0	0	0	0	11
5-9	28	0	0	0	0	0	28
10-14	45	0	0	0	0	0	45
15-19	44	0	0	0	0	0	44
20-24	27	1	0	0	0	0	28
25-29	45	0	0	0	0	0	45
30 & Over	70	3	0	0	0	0	73
Total	270	4	0	0	0	0	274

Distribution of Retirees & Beneficiaries

The table below illustrates a distribution of retiree and beneficiary benefit amounts by years retired and retirement type.

**Distribution of Retirees and Beneficiaries
By Years Retired and Retirement Type
As of June 30, 2008**

Type of Retirement Benefit

Years Retired	Service Retiree	Disability Retiree		Death In Service		Death After Service Retirement	Total
		Non-industrial	Industrial	Non-industrial	Industrial		
Under 5	\$413,003	\$0	\$0	\$0	\$0	\$0	\$413,003
5-9	1,378,867	0	0	0	0	0	1,378,867
10-14	1,591,446	0	0	0	0	0	1,591,446
15-19	1,435,546	0	0	0	0	0	1,435,546
20-24	721,872	11,544	0	0	0	0	733,416
25-29	709,011	0	0	0	0	0	709,011
30 & Over	1,303,371	168,625	0	0	0	0	1,471,996
Total Benefits	\$7,553,116	\$180,169	\$0	\$0	\$0	\$0	\$7,733,285

Appendix A - Actuarial Assumptions and Methods

Investment Return (Interest)	7.00% compounded per year, net of expenses
Individual Salary Increases	3.25% compounded per year
Inflation	3.00% compounded per year
Percentage Married	90%
Age of Spouse	Female spouses are assumed to be 4 years younger than male spouses.
Administrative Expenses	.25% of end of year assets.
Retirement	Active members are assumed to retire immediately at the end of their term limit, if eligible
Retirement Age	The maximum retirement age was assumed to be age 60, except for participants who would not meet the service requirements at age 60 or are older than age 60. Retirement for these participants was assumed to occur at the age when the service requirements were met or when their term limits expires, whichever is later.
Normal Form of Payment	The normal form of payment is assumed to be a 100% Joint and Survivor Annuity for all members of the Legislature. While the normal form is a 50% Joint and Survivor Annuity for this group, it is valued as a 100% Joint and Survivor Annuity to reflect employer subsidies used in the calculation of other optional benefit forms available to the member. The normal form of payment for all Constitutional and Legislative Statutory Officers is assumed to be a straight life annuity.

Mortality Rates After Leaving Active Participation	For healthy lives and disabled lives – 1994 Group Annuity Mortality Table, published and recorded in the Transactions of the Society of Actuaries.
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Probabilities of Decrement for Active Participants	<p>Vested Withdrawal – Sample vested withdrawal rates are shown in the following table.</p> <p>Death – 1994 Group Annuity Mortality Table for Males and Females, published and recorded in the Transactions of the Society of Actuaries.</p> <p>Disability – Sample disability rates are shown in the following table.</p> <p>Non-vested Withdrawal – Sample rates for non-vested withdrawal are shown in the following table.</p>
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For each 1,000 active participants at the age shown, the following number will leave within a year on account of:

<u>Age</u>	<u>Vested Withdrawal</u>	<u>Disability</u>	<u>Non-Vested Withdrawal</u>
30	50.0	0.1	25.0
35	50.0	0.2	25.0
40	50.0	0.7	20.0
41	50.0	0.8	15.0
42	40.0	0.9	15.0
43	40.0	1.0	15.0
44	40.0	1.1	15.0
45	40.0	1.2	15.0
46	40.0	1.3	15.0
47	40.0	1.5	15.0
48	40.0	1.7	15.0
49	40.0	1.9	15.0
50	40.0	2.2	15.0
51	40.0	2.5	5.0
52	40.0	3.0	0.0
53	40.0	3.6	0.0
54	40.0	4.3	0.0
55	40.0	5.0	0.0
56	40.0	5.8	0.0
57	40.0	6.7	0.0
58	40.0	7.5	0.0
59	40.0	8.4	0.0
60	40.0	9.5	0.0

For those members subject to a term limit, the Vested Withdrawal assumption is 100% at the end of the term limit.

Valuation Date	Liabilities are calculated as of June 30 th . Data is collected as of June 30 th , and is supplied by CalPERS' Judges', Legislators' and Volunteer Firefighters' Office.
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Purchase of Non-Contributory Service	Current active and non-retired inactive members are assumed to have purchased 100% of all non-contributory service as a member of the Legislature, as a Constitutional Officer other than a Judge, or as a Legislative Statutory Officer. Contributions made for the purchase of non-contributory service are based on their current or final compensation.
Method of Funding	The method used in determining the required employer contribution is the "aggregate" cost method. Under the aggregate funding method, the required employer contribution is determined as the amount needed to amortize the difference between: 1) the present value of benefits and 2) the sum of the actuarial value of assets and the present value of future member contributions. Both 1 and 2 are determined as of the valuation date.
Actuarial Value of Assets	In order to dampen the effect of short term market value fluctuations on employer contribution rates, the following asset smoothing technique is used. The expected actuarial value of assets is computed by bringing forward the prior year's actuarial value of assets, increased by the contributions received and decreased by the benefits paid during the year at the assumed actuarial rate of return. The actuarial value of assets is then set equal to the expected actuarial value of assets increased by one-fifteenth of the difference between the actual market value of assets and the expected actuarial value of assets as of the valuation date. If the expected actuarial value of assets is determined to be less than 80% or greater than 120% of the market value of assets, then the actuarial value of assets will be set to either 80% or 120% of the market value of assets for valuation purposes, respectively.
Internal Revenue Code Section 415	The limitations on benefits imposed by Internal Revenue Code Section 415 were not taken into account in this valuation. The effect of these limitations has been deemed immaterial on the overall results of this valuation.

Appendix B - Summary of Principal Plan Provisions

Political Reform Act of 1990	Proposition 140, the Political Reform Act of 1990, required that Senators and members of the Assembly, first elected after November 7, 1990, participate in the Federal Social Security Program and in no other retirement system.
Name	Legislators' Retirement System.
Effective Date	Effective 1947 by Chapter 879, Statutes of 1947
Authorization	This System is authorized by the Legislators' Retirement Law. The System was first established by Chapter 879, Statutes of 1947. The Legislators' Retirement Law is contained in Sections 9350 through 9378 of the Government Code. Section 9354 of the Code established the Legislators' Retirement Fund.
Administration of Plan	Administration is by the Board of Administration of the California Public Employees' Retirement System.
Eligibility for Membership	Members of the Legislature first elected prior to November 7, 1990, all Constitutional Officers upon electing to join the System, the Insurance Commissioner, and the Legislative Statutory Officers. Currently, these include the Chief Clerk of the Assembly, the Secretary of the Senate, the Sergeant-at-Arms of the Assembly, and the Sergeant-at-Arms of the Senate.
Plan Year	The twelve-month period ending June 30th
Credited Service	The period of time computed in years and/or fractions thereof as a member of the Senate or Assembly, an elective officer of the state, or statutory officer from date of electing membership in the system to termination date. For the purpose of crediting service, each full term as a Member of the Senate shall constitute four calendar years; each full term as a Member of the Assembly

shall constitute two calendar years.

**Contributions
may be made
for Prior
Service:**

Members of the Legislature and Constitutional Officers - 4% of compensation if elected before March 4, 1972 and 8% of compensation if elected after March 4, 1972. Contributions may be made at any time up to benefit commencement date, provided the individual elected to join the system while in service. No interest is charged on contributions made after the applicable service is performed.

Legislative Statutory Officers - 6 1/2% of compensation if elected before March 4, 1972 and 8% of compensation if elected after March 4, 1972.

**State
Contributions**

Per Section 9358 of the Legislators' Retirement System Law which was amended as a result of Assembly Bill 817, Chapter 897, Statutes of 1999, the State now contributes the actuarially required employer contribution rate determined by the Annual Actuarial Valuation as of June 30th.

Compensation

Compensation means remuneration paid in cash out of funds controlled by the state, excluding mileage, reimbursement for expenses incurred in the performance of official duties, and any per diem allowance paid in lieu of such expenses.

**Eligibility for
an Unreduced
Service
Retirement
Allowance**

A member is eligible for an unreduced service retirement allowance provided the member has satisfied all of the following requirements:

- The member has attained the age of 60 years and has completed 4 or more years of credited service or
 - The member, regardless of attained age, has completed 20 or more years of credited service.
 - Legislative Statutory Officers are eligible upon the attainment of age 55 years regardless of the number of years of credited service.
-

**Amount of the
Unreduced
Service
Retirement
Allowance**

The monthly normal retirement benefit equal to the following:

Members of the Legislature - 3% of the highest compensation multiplied by the years of credited service plus 2% of the first \$500 of monthly compensation multiplied by the years of credited service up to 15 years with a maximum benefit of 66 2/3% of the highest monthly compensation.

Constitutional Officers - 5% of the highest compensation multiplied by the years of credited service up to 8 years plus (if the member has 24 or more years of credited service) 1 2/3 % of monthly compensation multiplied by the years of credited service in excess of 8 years, not to exceed 12 years of credited service. The maximum percentage of compensation is 60% of highest monthly compensation.

Legislative Statutory Officers - 3% of the final compensation multiplied by the years of credited service. The allowance may not exceed 66 2/3% of the greater of the member's compensation at the time the member vacates the office or the compensation of the incumbent of that office at the time the payments of the allowance fall due.

**Cost-of-Living
Increases**

All benefits are subject to the full cost-of-living adjustment from the benefit commencement date based on the United States city average of the Consumer Price Index for all Urban Consumers. Compensation rates are not adjusted for increases in the incumbent's compensation after the member leaves office.

**Normal Form
of Service
Retirement
Allowance**

For Legislators a 50% Joint Survivor Annuity, for Constitutional Officers a Single Straight Life Annuity, and for Legislative Statutory Officers a Single Straight Life Annuity.

**Eligibility for a
Reduced Early
Retirement
Allowance**

A member, other than a Legislative Statutory Officer is eligible for a reduced early retirement allowance benefit provided that the member has completed 15 or more years of credited service regardless of age. Legislative Statutory Officers are not eligible for a reduced early retirement allowance.

**Amount of
Reduced Early
Retirement
Allowance**

The monthly reduced early retirement is the unreduced service retirement allowance reduced 2% for each year by which the member's age at the time of retirement is below age 60. Reduction Factors are shown for ages 50 to 59 in the table below.

Age at Retirement	% of Service Retirement Benefit Paid	Age at Retirement	% of Service Retirement Benefit Paid
59	.98	54	.88
58	.96	53	.86
57	.94	52	.84
56	.92	51	.82
55	.90	50	.80

**Forms of
Retirement
Allowance
Payments:**

- Optional Settlement 1. Single Life Annuity, with the payment of the balance of the member's contributions at the death of the member to the member's beneficiary.
- Optional Settlement 2. 100% Joint and Survivor Annuity.
- Optional Settlement 3. 50% Joint and Survivor Annuity.
- Optional Settlement 4. Subject to the approval of the Board of Administration, a member may select other benefits that are the actuarial equivalent of his/her retirement allowance.
- Members of the Legislature. The member's retirement allowance is unreduced due to the selection of any of the above optional settlements.

**Eligibility for a
Disability
Allowance**

All members are eligible and there are no minimum age or service requirements. A medical examination may be required if the applicant is below the minimum age for Service or Early Retirement.

**Amount of
Disability
Allowance**

The disability allowance is the same as the service retirement allowance that would be payable to the member if the member had retired for reasons other than disability.

**Eligibility for
Pre-Retirement
Death
Allowance**

All members are eligible for a Pre-Retirement Death Allowance.

**Amount of Pre-
Retirement
Death
Allowance:**

Prior to eligibility for Service or Early Retirement - Refund of the member's contributions with interest plus one-twelfth of the member's annual compensation during the last 12 months in office immediately preceding the member's death multiplied by the member's years of credited service.

Subsequent to eligibility for Service or Early Retirement - If the member had elected an optional settlement before death, the surviving spouse will receive the same benefit the surviving spouse would have received had the member's retirement preceded death. If the member had not elected an optional settlement, then the surviving spouse would receive the same benefits had the member elected Optional Settlement 2, a 100% Joint and Survivor Annuity, retired and then died.

**Eligibility for
Special
Survivor
Allowance**

The surviving spouse who has the care of unmarried children under the age of 18 or unmarried incapacitated children if over the age of 18 or if there is not a spouse with these responsibilities, the guardian who has the care of unmarried children under the age of 18 or unmarried incapacitated children if over the age of 18. In the case where there are no incapacitated children, but a surviving spouse, a deferment age of 62 is required before receiving a benefit. In the case where there is not a surviving spouse or guardian, the dependent parents of the member are eligible and shall be paid the Survivor's Allowance once the age of 62 is attained. This allowance is payable only if the member is not covered by Social Security.

**Amount of
Special
Survivor
Allowance**

Survivor	Monthly Allowance
Spouse or One Child	\$ 180
Spouse and One Child or Two Children	\$ 360
Spouse and Two Children or Three Children	\$ 430

Benefit payments under this provision are reduced by any other survivor benefits under any other provision under this system.

**In-Service
Death
Allowance**

In addition to any benefits paid, the beneficiary of a member who died while in office or employed as a Legislative or Statutory Officer will receive an allowance equal to the member's compensation during the 12 months immediately preceding the member's death.

**Post
Retirement
Death Benefit**

Upon the death of a retiree, a one-time lump sum payment of \$600 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Appendix C – GASB Statement No. 27

GASB 27 Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2009 to June 30, 2010 has been determined by an actuarial valuation of the plan as of June 30, 2008. The contribution rate for the indicated period is 0% of payroll. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2010, this contribution rate, as modified by any amendments for the year, would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2009 to June 30, 2010. The employer and the employer's auditor are responsible for determining the NPO and the APC.

**Retirement
Program
Assumptions**

A summary of principal assumptions and methods used to determine the ARC is shown below.

More complete information on assumptions and methods is provided in Appendix A of this report. Appendix B contains a description of benefits included in the valuation.

Valuation Date	June 30, 2008
Actuarial Cost Method	Aggregate Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period Asset	31 Years as of the Valuation Date
Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.00% (net of administrative expenses)
Projected Salary Increases	3.25%
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	3.25%

**Schedule of
Funding
Progress**

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, entry age normal actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll.

Valuation Date	Entry Age Normal Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (UL) (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UL As a % of Payroll [(a)-(b)]/(c)
06/30/08	\$ 103,035,982	\$ 142,350,628	\$ (39,314,646)	138.2%	\$ 2,216,469	(1773.8%)
06/30/07	\$ 101,571,369	\$ 141,603,105	\$ (40,031,736)	139.4%	\$ 2,105,830	(1901.0%)
06/30/06	103,787,096	139,986,652	(36,199,556)	134.9%	1,931,664	(1874.0%)

Appendix D – Glossary of Actuarial Terms

Accrued Liability	The total dollars needed as of the valuation date to fund all benefits earned in the past for <i>current</i> members.
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Actuarial Assumptions	Assumptions made about certain events that will affect pension costs. Assumptions generally can be broken down into two categories: demographic and economic. Demographic assumptions include such things as mortality, disability and retirement rates. Economic assumptions include investment return, salary growth and inflation.
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Actuarial Methods	Procedures employed by actuaries to achieve certain goals of a pension plan. These may include things such as funding method, setting the length of time to fund the past service liability and determining the actuarial value of assets.
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Actuarial Valuation	The determination, as of a valuation date of the normal cost, actuarial accrued liability, actuarial value of assets and related actuarial present values for a pension plan. These valuations are performed annually or when an employer is contemplating a change to their plan provisions.
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Actuarial Value of Assets	<p>The actuarial value of assets used for funding purposes is obtained through an asset smoothing technique where investment gains and losses are partially recognized in the year they are incurred, with the remainder recognized in subsequent years.</p> <p>This method helps to dampen large fluctuations in the employer contribution rate.</p>
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Aggregate Funding Method	Under the aggregate funding method, the required employer contribution is determined as the amount needed to amortize the difference between: 1) the present value of benefits and 2) the sum of the actuarial value of assets and the present value of future member contributions. Both 1 and 2 are determined as of the valuation date.

Amortization Bases Separate payment schedules for different portions of the unfunded liability. The total unfunded liability (or side fund) can be segregated by "cause", creating "bases" and each such base will be separately amortized and paid for over a specific period of time. This can be likened to a home mortgage that has 24 years of remaining payments and a second on that mortgage that has 10 years left. Each base or each mortgage note has its own terms (payment period, principal, etc.)

Generally in an actuarial valuation, the separate bases consist of changes in liability (principal) due to amendments, actuarial assumption changes, or methodology changes and gains and losses. Payment periods are determined by Board policy and vary based on the cause of the change.

Amortization Period The number of years required to pay off an amortization base.

Annual Required Contributions (ARC) The employer's periodic required annual contributions to a defined benefit pension plan, calculated in accordance with the plan assumptions. The ARC is determined by multiplying the employer contribution rate by the payroll reported to CalPERS for the applicable fiscal year. However, if this contribution is fully prepaid in a lump sum, then the dollar value of the ARC is equal to the Lump Sum Prepayment.

Entry Age The earliest age at which a plan member begins to accrue benefits under a defined benefit pension Plan or risk pool. In most cases, this is the same as the date of hire.

(The assumed retirement age less the entry age is the amount of time required to fund a member's total benefit. Generally, the older a member is at hire, the greater the entry age normal cost. This is mainly because there is less time to earn investment income to fund the future benefits.)

Excess Assets	When a plan or pool's actuarial value of assets is greater than its accrued liability, the difference is the plan or pool's excess assets. A plan with excess assets is said to be overfunded. The result is that the plan or pool can temporarily reduce future contributions.
Entry Age Normal Cost Method	An actuarial cost method designed to fund a member's total plan benefit over the course of his or her career. This method is designed to produce stable employer contributions in amounts that increase at the same rate as the employer's payroll (i.e. level % of payroll).
Fresh Start	When multiple amortization bases are collapsed into one base and amortized over a new funding period. At CalPERS, fresh starts are used to avoid inconsistencies that would otherwise occur.
Funded Status	A measure of how well funded a plan or risk pool is. Or equivalently, how "on track" a plan or risk pool is with respect to assets vs. accrued liabilities. We calculate a funded ratio by dividing the actuarial value of assets by the accrued liabilities. A ratio greater than 100% means the plan or risk pool has more assets than liabilities and a ratio less than 100% means liabilities are greater than assets.
Normal Cost	The annual cost of service accrual for the upcoming fiscal year for active employees. The normal cost plus surcharges should be viewed as the long term contribution rate.
Pension Actuary	A person who is responsible for the calculations necessary to properly fund a pension plan.
Prepayment Contribution	A payment made by the employer to reduce or eliminate the year's required employer contribution.

Present Value of Benefits	The total dollars needed as of the valuation date to fund all benefits earned in the past or expected to be earned in the future for current members.
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Rolling Amortization Period	An amortization period that remains the same each year or does not decline.
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Superfunded	A condition existing when the actuarial value of assets exceeds the present value of benefits. When this condition exists on a given valuation date for a given plan, employee contributions for the rate year covered by that valuation may be waived.
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Unfunded Liability	When a plan or pool's actuarial value of assets is less than its accrued liability, the difference is the plan or pool's unfunded liability. The plan or pool will have to temporarily increase contributions.
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